

## MORNING MOCHA

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Aditi Gupta

Global markets ended in upheaval as the US President moved forward with 25% tariffs on Canada and Mexico, while tariffs on China were hiked by 10%. With all three nations vowing retaliatory measures, the fears of a global trade war have resurfaced. In addition, US military aid to Ukraine was also withdrawn. These measures come on heels of weak macro data and raise concerns over its impact on US growth and inflation. Recent data showed a moderation in US ISM manufacturing PMI, led by a sharp decline in new orders. Input prices rose to a more than 2-year high amidst escalating trade tensions, which is likely to weigh on the sector. In Japan and Eurozone, manufacturing PMI rose but remained below the expansion mark. India's manufacturing PMI printed at 56.3 in Feb'25 from 57.7 in Jan'25, even though the pace of expansion remained well above historical trends.

- Global markets ended mixed as investors remain wary of retaliatory tariff measures. US stocks closed lower as ISM data softened. Stocks in China also moderated on tariff woes. Nikkei inched up as interest rate differential with the US remains in focus. Sensex fell by 0.2%, led by losses in oil and gas stocks. It is trading further weaker today, in line with Asian stocks.

**Fig 1 – Stock markets**

	28-02-2025	03-03-2025	Change, %
Dow Jones	43,841	43,191	(1.5)
S & P 500	5,955	5,850	(1.8)
FTSE	8,810	8,871	0.7
Nikkei	37,156	37,785	1.7
Hang Seng	22,941	23,006	0.3
Shanghai Comp	3,321	3,317	(0.1)
Sensex	73,198	73,086	(0.2)
Nifty	22,125	22,119	0

Source: Bloomberg, Bank of Baroda Research

- Except CNY, other global currencies appreciated. DXY fell as US macro data underlined signs of weakness in the economy. Amongst major currencies, EUR rose the most by 1.1%, followed by GBP. INR appreciated by 0.2%, in line with global cues. However, it is trading weaker today, in line with its Asian peers.

**Fig 2 – Currencies**

	28-02-2025	03-03-2025	Change, %
EUR/USD (1 EUR / USD)	1.0375	1.0487	1.1
GBP/USD (1 GBP / USD)	1.2577	1.2701	1.0
USD/JPY (JPY / 1 USD)	150.63	149.50	0.8
USD/INR (INR / 1 USD)	87.51	87.36	0.2
USD/CNY (CNY / 1 USD)	7.2784	7.2876	(0.1)
DXY Index	107.61	106.75	(0.8)

Source: Bloomberg, Bank of Baroda Research | Note: Figures in brackets indicate depreciation against the dollar



- US 10Y yield softened amidst risk-off sentiment. Fed official's statement suggesting that inflation is getting aligned to the targeted level also supported sentiment. Germany's 10Y yield stiffened considerably as tariff fears raised inflationary concerns. India's 10Y yield inched up a tad. It is trading lower at 6.72% today.

**Fig 3 – Bond 10Y yield**

	28-02-2025	03-03-2025	Change, bps
US	4.21	4.16	(5)
UK	4.48	4.56	7
Germany	2.41	2.49	9
Japan	1.38	1.41	4
China	1.78	1.76	(2)
India	6.73	6.74	1

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	28-02-2025	03-03-2025	Change, bps
Tbill-91 days	6.47	6.43	(4)
Tbill-182 days	6.55	6.57	2
Tbill-364 days	6.53	6.54	1
G-Sec 2Y	6.58	6.59	1
India OIS-2M	6.46	6.45	(1)
India OIS-9M	6.27	6.26	(1)
SONIA int rate benchmark	4.45	4.46	0
US SOFR	4.36	4.39	3

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	28-02-2025	03-03-2025	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	(1.6)	(1.1)	0.5
Reverse Repo	0	0	0
Repo*	2.2	2.2	0

Source: RBI, Bank of Baroda Research, \*Includes LTRO

**Fig 6 – Capital market flows**

	27-02-2025	28-02-2025	change (US\$ mn/Rs cr)
FII (US\$ mn)	718.7	27.9	(690.8)
Debt	590.3	1,403.9	813.6
Equity	128.4	(1,376.0)	(1,504.4)
Mutual funds (Rs cr)	2,286.9	(3,398.5)	(5,685.5)
Debt	(3,395.6)	(5,444.4)	(2,048.7)
Equity	5,682.6	2,045.8	(3,636.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 24 Feb and 25 Feb 2025

- Oil prices declined on OPEC+ decision to increase output and tariff concerns.

**Fig 7 – Commodities**

	28-02-2025	03-03-2025	Change, %
Brent crude (US\$/bbl)	73.2	71.6	(2.1)
Gold (US\$/ Troy Ounce)	2857.8	2892.7	1.2
Copper (US\$/ MT)	9338.1	9394.3	0.6
Zinc (US\$/MT)	2762.8	2810.8	1.7
Aluminium (US\$/MT)	2605.5	2611.0	0.2

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)